

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AF-06 ARA-10 NEA-10 COME-00

AGR-10 L-03 H-02 SP-02 CIAE-00 INR-07 NSAE-00 STR-04

CIEP-02 OMB-01 CEA-01 TRSE-00 OIC-02 /080 W

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R 231851Z JAN 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8407

UNCLAS SECTION 1 OF 2 LONDON 1213

C O R R E C T E D C O P Y F O R M R N

FOR EB/TRP - M'DONNELL

E.O. 11652: L/A

TAGS: EAGR, ETRD

SUBJECT: COFFEE -- SETTING OF QUOTAS UNDER NEW ICA

REF: O'DONNELL/THIGPEN TELCON

1. WE DISCUSSED WITH INTERNATIONAL COFFEE ORGANIZATION EXECUTIVE DIRECTOR BELTRAO HIS CONCEPT OF THE ROLE OF THE EXECUTIVE DIRECTOR IN SETTING QUOTAS UNDER ARTICLE 33, PARA 6 OF THE NEW INTERNATIONAL COFFEE AGREEMENT. CMNVERSATION WAS MOST USEFUL IN CLARIFYING OUR UNDERSTANDING AND PROBABLY IN FOCUSING INTEREST IN AN AREA THAT WILL REQUIRE CAREFUL DEVELOPMENT OF DETAILED NORMS (IN CONSULTATION WITH EXECUTIVE BOARD) IN COMING MONTHS. WITH THIS IN MIND, PURPOSE OF THIS TELEGRAM IS MORE AN ATTEMPT TO CLARIFY CONCEPTS (AND EXPLAIN RESOURCES AND TECHNIQUES AVAILABLE) THAN TO SET FORTH PROCEDURES. BELTRAO FEELS FULL UNDERSTANDING OF FORMER IS ESSENTIAL NOW, BUT THAT DETAILED REGULATIONS CAN -- INDEED MUST -- WAIT UNTIL AFTER ENTRY INTO FORCE WHEN MEMBERSHIP OF ICA KNOWN. MOREOVER, DATA BASE WILL ALSO IMPROVE WHEN NEW
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AGREEMENT IS OPERATIVE. (NOTE: IT IS HIGHLY IMPROB-

ABLE QUOTAS WILL BE IMPOSED UNTIL SECOND YEAR OF OPERATION, OR MORE LIKELY, EVEN LATER).

2. AGREEMENT PROVISIONS. ARTICLE 33 PROVIDES, INTER ALIA, EXECUTIVE DIRECTOR SHALL SET QUOTA, WHEN RELEVANT PRICE CONDITIONS PREVAIL, ON BASIS OF DISAPPEARANCES, "ESTIMATED IN ACCORDANCE WITH CRITERIA ESTABLISHED IN ARTICLE 34." IN ASSESSING EXECUTIVE DIRECTOR'S ROLE, IT IS IMPORTANT TO LOOK AT THE WHOLE OF ARTICLE 33 (NOT JUST PARA 6) AND ARTICLE 34 TOGETHER. FOUR POINTS SHOULD BE NOTED:

- (A) QUOTA TRIGGERING PRICE CONDITIONS MUST PREVAIL FOR 20 CONSECUTIVE MARKETING DAYS BEFORE EXECUTIVE DIRECTOR'S ACTION CAN TAKE PLACE (PARA L).
- (B) EXECUTIVE DIRECTOR EXPECTED TO APPLY QUOTAS AS SOON AS POSSIBLE (PARA 6), BUT IMPLICIT IS THAT THERE WILL BE SOME LAG (PROBABLY ABOUT 60 DAYS FROM START OF 20 DAY COUNT MENTIONED ABOVE).
- (C) THE COUNCIL MUST MEET AFTERWARDS, TO ESTABLISH PRICE RANGES AND POSSIBLY ADJUST EXECUTIVE DIRECTOR'S ACTION (COUNCIL'S POWER FOR THIS MAY BE DELEGATED TO EXECUTIVE BOARD).
- (D) MOST OF THE CRITERIA IN ARTICLE 34 RELATE TO THE CALCULATION OF DISAPPEARANCES IN ANY CASE.

3. RESOURCES AND METHODOLOGY. THE ICO HAS HAD CONSIDERABLE EXPERIENCE IN ESTIMATING WORLD COFFEE NEEDS. THIS INVOLVES SOPHISTICATED CALCULATIONS REQUIRING MONITORING NOT ONLY OF EXPORT/IMPORT TRADE,

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C O R R E C T E D C O P Y F O R M R N

BUT ALSO IN TRENDS IN INVENTORY HOLDINGS. BELTRAO BELIEVES ICO DATA BANKS AND METHODOLOGY ARE PROBABLY BETTER THAN FOR ANY OTHER COMMODITY. BELTRAO CITES FOLLOWING DOCUMENTS, DATING FROM 1970 AS PARTICULARLY USEFUL ILLUSTRATIONS OF THE WORK DONE IN THIS AREA:

EB-849/70, 3/4/70 "ANALYSIS OF THE MARKET SITUATION"

EB-897/70, CORR., 8/L0/70, "ESTIMATE OF (IMPORTS-EXPORTS)..."

EB1242/73, 9/19/73, "REVIEW OF EXPORTS AND IMPORTS ..."

EB1275/74 CORR., 3/25/74, "REVIEW OF EXPORTS, IMPORTS AND INVENTORIES..."

EB1305/75, 9/4/74, "A REVIEW OF DEMAND...(& PROJECTIONS)"

EB1307/74, 9/9/74, "REVIEW OF (EXPORTS/IMPORTS/ SUPPLY/DEMAND)

WP AGREEMENT NO. 65, 4/22/75, "THE DISAPPEARANCE OF COFFEE"

EB1400/75, 10/30/75, "EXPORTS, IMPORTS, RE-EXPORTS AND INVENTORIES..."

4. DETAILED EXPLANATION OF CONCEPT OF DISAPPEARANCES AND COMMENTS FOLLOW IN SEPTTEL.

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